

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 10048 01 OF 02 151605Z
ACTION EB-07

INFO OCT-01 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02
AID-05 CIAE-00 COME-00 INR-07 IO-13 LAB-04
NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00
CEA-01 SS-15 NSC-05 SSO-00 NSCE-00 USIE-00 INRE-00
AF-10 ARA-10 EA-07 EUR-12 NEA-10 /126 W
-----070277 151618Z /40/45

O R 151143Z JUL 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 4734
INFO USDA WASHDC
AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 10048

C O R R E C T E D C O P Y

FOR EB/TRP-O'DONNELL

USDA FOR FAS/IT AND S&TP

E.O. 11652: GDS
TAGS: ETRD, EAGR, EPAP, ISO, IN
SUBJECT: SUGAR: UN SUGAR CONFERENCE CONSULTATIONS

REF: (A) STATE 157273 (B) STATE 157953

1. EMBOFF AND ACTING AGATTACHE CALLED ON D. SRIDHARAN, HEAD OF DIRECTORATE OF SUGAR AND VANASPATI IN AGRICULTURE MINISTRY ON JULY 14. CALL HAD BEEN DELAYED BY SRIDHARAN'S ABSENCE FROM CITY. SRIDHARAN SAID NO DECISION HAD BEEN MADE ON MAKE-UP OF GOI DELEGATION TO LONDON CONSULTATIONS, AND EXISTENCE OF NEW U.S. PROPOSAL WOULD BE TAKEN INTO CONSIDERATION IN SELECTION OF DELEGATION HEAD. (COMMENT: WE GATHER NO PLANS HAD BEEN MADE TO SEND OFFICIAL FROM DELHI; SRIDHARAN ALSO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 10048 01 OF 02 151605Z

REFERRED IN PASSING TO HIGH LEVEL OF COMPETENCE OF INDIAN OFFICIALS POSTED IN LONDON.)

2. SRIDHARAN HAD RECEIVED REPORT FROM KHANNA IN LONDON (LONDON 11373) AND HAD ALREADY PREPARED LIST OF QUESTIONS WHICH HE POSED TO EMBOFFS BOTH TO CLARIFY U.S. PAPER AND OBTAIN FURTHER DETAILS. EMBOFFS SAID THEY WERE UNABLE TO DIS-

CUSS U.S. POSITION OTHER THAN ON THE BASIS OF THE U.S. PAPER AND GENERAL U.S. APPROACH, BUT THAT THEY WOULD BE HAPPY TO TRANSMIT HIS QUESTIONS AND ANY COMMENTS TO WASHINGTON SO THAT U.S. OFFICIALS WOULD BE AWARE OF THEM AS CONSULTATIONS BEGAN. THIS WAS NOT SATISFACTORY TO SRIDHARAN WHO EXPLAINED THAT GOI POSITION HAD TO BE FULLY DEVELOPED WITHIN GOVERNMENT BUREAUCRACY IN NEW DELHI. DELEGATE IN LONDON WOULD NOT BE ABLE TO WORK OUT SUCH COORDINATION ONCE MEETING BEGAN. SRIDHARAN REQUESTED THAT DEPARTMENT GIVE URGENT CONSIDERATION TO HIS QUESTIONS AND PROVIDE REPLY AS QUICKLY AS POSSIBLE IN ORDER TO PERMIT GOI FULLEST POSSIBLE PARTICIPATION IN CONSULTATIONS.

3. SRIDHARAN'S QUESTIONS AND OTHER COMMENTS FOLLOW:

(A) HOW WAS THE THREE MILLION TON FIGURE ARRIVED AT? JONES-PARRY HAS SET FREE MARKET TRADE LEVEL AT 12 MILLION TONS (SRIDHARAN NOTED THAT U.S. PAPER USED 15 MILLION). THREE MILLION TONS SEEMED, PRIMA FACIE, TOO HIGH.

B(B) HOW WOULD FUND OPERATE DURING INITIAL STOCKBUILDING PERIOD? DISCUSSION OF THIS QUESTION LED TO ELUCIDATION THAT SRIDHARAN ASSUMED FUND WOULD COVER COST OF ACQUISITION. EMB-OFFS SAID TEXT OF U.S. CONCEPT PAPER INDICATED THAT FUND COVERED ONLY ON-GOING COSTS OF STOCK HOLDING AND NO ACQUISITION. PLEASE CONFIRM AND ELABORATE.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 10048 01 OF 02 151605Z

(C) WHAT WERE THE U.S. ASSUMPTIONS ABOUT THE COMPONENT ELEMENTS OF CARRYING COSTS THAT RESULTED IN THE \$4 PER TON FEE? IN PARTICULAR, GOI CONSIDERED THAT INTEREST CHARGES ON ACQUISITION COSTS WAS MAJOR COMPONENT IN CARRYING CHARGES. OTHER COMPONENTS INCLUDED INSURANCE, COST OF REPLENISHMENT (E.G. TRANSPORT COSTS FOR ADDITIONAL MOVEMENT OF STOCKS AS THEY ARE ROTATED INTO AND OUT OF STORAGE), STORAGE PER SE (I.E., SPACE RENTAL), AND OVERHEAD. ON THIS BASIS, GOI CALCULATIONS SHOWED CARRYING COSTS TO BE MUCH HIGHER THAN U.S. FIGURES.

(D) IS IT A CORRECT INTERPRETATION OF THE U.S. PAPER THAT THE ONLY SITUATION IN WHICH THE EXPORTER COUNTRY COLLECTS THE FEE IS WHEN EXPORTS ARE MADE TO NON-MEMBER COUNTRIES? THIS WAS CONCLUSION BASED ON DISCUSSION OF TEXT, BUT SRIDHARAN HAD NOT GOTTEN THAT IMPRESSION FROM KHANNA'S REPORT. PLEASE CONFIRM.

(E) DOES THE U.S. CONTINUE TO PROPOSE DIFFERENT TREATMENT FOR DEVELOPING COUNTRIES? ACCORDING TO SRIDHARAN, THE U.S. ON MAY 9 PROPOSED THAT IMPORTING COUNTRIES WITH AN ANNUAL

PER CAPITA GNP OF UNDER \$600 WOULD NOT BE REQUIRED TO MEET CERTAIN OBLIGATIONS OF THE NEW AGREEMENT (FEE COLLECTION?). HE HOPED THE U.S. CONTINUED TO ACCEPT THIS CONCEPTUAL FRAMEWORK AND WOULD EXTEND IT TO EXPORTING COUNTRIES (SEE PARA 5 BELOW).

(F) WHAT IS THE INCIDENCE OF FEE COLLECTION UNDER THE U.S. PROPOSAL? THAT IS TO SAY, OF THE \$60 MILLION COLLECTED THROUGH A \$4 FEE ON 15 MILLION TONS OF COFFEE TRADED, HOW MUCH IS COLLECTED BY IMPORTING COUNTRIES AND HOW MUCH BY EXPORTING COUNTRIES?

4. LAST TWO QUESTIONS REFLECT THE GOI'S CONCERN, WHICH SRIDHARAN MADE EXPLICIT TO EMBOFFS, THAT RESERVE STOCK WOULD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 NEW DE 10048 01 OF 02 151605Z

FUNCTION ONLY TOO WELL TO BRING PRICE DOWN OUT OF THE UPPER BAND BUT WOULD BE WEAK TOOL FOR RAISING PRICE UP OUT OF THE LOWER BAND.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 NEW DE 10048 02 OF 02 151246Z
ACTION EB-07

INFO OCT-01 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02
AID-05 CIAE-00 COME-00 INR-07 IO-13 LAB-04
NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00
CEA-01 SS-15 NSC-05 SSO-00 NSCE-00 USIE-00 INRE-00
AF-10 ARA-10 EA-07 EUR-12 NEA-10 /126 W
-----067175 151339Z /45

O R 151143Z JUL 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 4735
INFO USDA WASHDC
AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 10048

FOR EB/TRP-O'DONNEL

USDA FOR FAS/IT AND S&TP

(G) WHAT IS THE U.S. PROPOSAL FOR A RELEASE MECHANISM? IN PARTICULAR, HOW WOULD STOCK RELEASE BE MANAGED TO AVOID EXCESSIVE DOWNWARD PRESSURE ON PRICES, FOR EXAMPLE VIA A TRANCHE MECHANISM?

(H) WHAT SUPPLEMENTARY ARRANGEMENTS WOULD THE U.S. CONSIDER TO MOVE PRICE OUT OF THE LOWER TIER SHOULD THE RESERVE STOCK SCHEME NOT WORK? BASIS FOR QUESTION WAS SRIDHARAN'S BELIEF THAT SITUATION COULD EASILY ARISE IN WHICH ACCUMULATION OF 1.2 MILLION TONS DURING ONE YEAR WOULD NOT BE SUFFICIENT TO CLEAR AVAILABLE SUPPLY ON MARKET AND PRICE REMAINED IN LOW BAND OR WORSE. UNDER SUCH CIRCUMSTANCES, GOI'S PREFERENCE WAS FOR SOME COMMITMENT ON PART OF MEMBER IMPORTERS TO BUY FROM MEMBER EXPORTERS. THIS WOULD NOT BE A 100 PERCENT MEMBER-ONLY RESTRICTION, BUT MIGHT, FOR EXAMPLE, BE BASED ON AVERAGE TRADE FIGURES. OBLIGATION WOULD BE RECIPROCAL: MEMBER EX-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 10048 02 OF 02 151246Z

PORTERS WOULD HAVE SIMILAR OBLIGATION TO SELL TO MEMBER IMPORTERS WHEN PRICE IN UPPER RANGE. COULD U.S. ACCEPT ARRANGEMENT ALONG THESE LINES? DOES U.S. HAVE ANY OTHER MECHANISM IN MIND?

5. SRIDHARAN URGED THAT U.S. ACCEPT FOLLOWING AMENDMENT TO ITS SCHEME: EXPORTING MEMBER COUNTRIES (OR, DEVELOPING EXPORTING MEMBER COUNTRIES) WOULD COLLECT STABILIZATION FEE ONLY WHEN PRICE IN UPPER BAND. PRINCIPAL TARGET OF THIS PROPOSAL IS TO RELIEVE EXPORTING MEMBERS FROM FEE WHEN PRICE IS IN LOW BAND REPEAT LOW BAND, ASSUMING AT THIS POINT JONES-PARRY FORMULA OF 11 TO 13.5 CENTS. IN THIS RANGE, SUGAR IS BEING SOLD FOR LESS THAN THE COST OF PRODUCTION AND EXPORTS REPRESENT A TRANSFER OF REAL EXPORTER COUNTRY RESOURCES. REQUIREMENT ON EXPORTER TO COLLECT AND REMIT STABILIZATION FEE ON TOP OF THAT WOULD BE "DOUBLE JEOPARDY." SRIDHARAN WAS WILLING TO CONSIDER QUESTION OF WHETHER DEVELOPING COUNTRY EXPORTER WOULD COLLECT FEE WHEN PRICE IN MIDDLE RANGE "SOMETHING TO NEGOTIATE."

6. SRIDHARAN EXPRESSED SOME MILD SURPRISE THAT U.S. PROPOSAL DID NOT LINK STABILIZATION FUND TO UNCTAD COMMON FUND IN THE WAKE OF AGREEMENT REACHED AT CIEC. HE IMPLIED GOI WOULD BE FAVORABLY INCLINED TO SUCH A LINK. EMBOFF COMMENTED THAT USG FORESAW ARRANGEMENTS FOR POSSIBLE COMMON FUND BEING CONCLUDED AFTER BUFFER STOCKING REQUIREMENTS DETERMINED ON THE BASIS OF INDIVIDUAL COMMODITY AGREEMENTS. THUS IT APPEARED THAT LINKING SUGAR RESERVE STOCKS TO COMMON FUND PROPOSAL AT THIS TIME WOULD SERVE TO DELAY AGREEMENT.

7. ACTION REQUESTED: EMBASSY APPRECIATES THAT DEPARTMENT
AND OTHER WASHINGTON AGENCIES INVOLVED IN SUGAR CONSULTATIONS
ARE HARD PRESSED FOR TIME. IN VIEW OF POSITIVE INTEREST IN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 10048 02 OF 02 151246Z

U.S. PROPOSAL REFLECTED IN SRIDHARAN'S QUERIES, WE WOULD URGE
DEPT. ATTEMPT QUICK REPLY TO AT LEAST THOSE QUESTIONS FOR
WHICH ANSWERS READILY AVAILABLE AND SUBJECTS FOR WHICH GOI
SUPPORT MAY BE SOUGHT IN LONDON. TO BE USEFUL HERE, REPLY
SHOULD REACH US BY OPENING OF BUSINESS MONDAY.
GOHEEN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE10048
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770275-0173, D770252-0652
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770753/aaaabtov.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7148c06a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 157273, 77 STATE 157953
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1849294
Secure: OPEN
Status: NATIVE
Subject: SUGAR: UN SUGAR CONFERENCE CONSULTATIONS
TAGS: ETRD, EAGR, EPAP, IN, ISO, UN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7148c06a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009